May 27, 2003

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

The President's national energy policy encourages increased production of oil and gas from public lands managed by the Bureau of Land Management (BLM). Currently, BLM lands provide about five percent of the Nation's oil production and 11 percent of natural gas production. In 2002, it administered over 54,000 oil and gas leases, of which approximately 21,000 were producing oil and gas. BLM is focusing its efforts on increasing production through a variety of methods such as giving priority to the processing of applications for permits to drill, updating resource management plans for energy rich resource areas, facilitating the issuance of rights-of-way, and, as recently announced, streamlining procedures for processing applications for permits to drill. In addition, the Department of the Interior's recent settlement of a lawsuit in which it agreed to change the management of public land with wilderness characteristics is expected to increase the amount of land available for oil and gas exploration and production.

To insure protection of our natural resources and a fair return to the taxpayer of revenue from such production, leases and oil and gas operations are (or should be) subject to certain requirements over the life of a lease. These requirements must be monitored to insure proper payment of royalties, compliance with stipulations to mitigate adverse impacts on the environment, including wildlife and their habitat, and adequate reclamation.

I understand that due to budget constraints, the BLM is currently able to monitor only a minimal number of oil and gas leases and operations. With expected increases in production activity, I am concerned that BLM will not have sufficient resources to manage increased development in a way that adequately protects taxpayer returns as well as the air and water quality on the public lands and wildlife and its habitat.

Accordingly, this is to request that the General Accounting Office conduct a study to determine the adequacy of the efforts of the BLM, and as appropriate, the Minerals Management Service, to insure an effective oil and gas production program which protects against damage to the public's resources and insures payment of royalty payments. This examination should include, but not be limited to, the following questions:

1) What is the expected increase in exploration, the number of leases, applications for permits to drill, and production operations on the public lands? What has DOI and its constituent agencies done to insure an effective program which will meet these increased demands and is protective of the environment, insuring collection of royalties and adequate monitoring of and reclamation of these additional operations? For example, what changes are being made in staffing patterns, employee skill mix and BLM funding to meet the increased needs for properly managing these activities, particularly in those geographic areas which are expected to have the greatest demand? Are affected DOI agencies increasing their staff and budget to meet these new needs, or is it diverting resources from other responsibilities?

Are the efforts to meet the new demands adequate? If not, what would be required to meet these new demands?

2) Are there any costs of the oil and gas program which are not currently subject to cost recovery which the Federal government could and should recover?

3) Currently, what on-the-ground monitoring of these activities and operations is actually being undertaken by BLM? Please be specific, identifying the number of sites BLM visits, the frequency of such visits, the measures used to monitor the sites, and their effectiveness. How is BLM prepared to carry out these monitoring functions as increases in oil and gas exploration, leasing, and production occur? What changes in the monitoring practices will occur?

4) What is the extent of followup to insure compliance with the terms and conditions of leases and permits? Please be specific, identifying the actual actions taken to insure compliance. Describe specifically the actions taken to enforce lease and permit stipulations designed to protect the environment. Are changes made in individual lease and permit stipulations after their issuance, and, if so, how?

5) Have any recent changes been made in the types of permit and lease stipulations being required to protect the environment?

6) BLM recently announced changes in its policies for processing applications for permits to drill oil and gas. What affect will these changes have on costs as well as BLM's ability to protect natural resources from the adverse environmental effects of oil and gas operations? What other changes have been made which will affect the ability to the BLM to assess and mitigate the environmental impacts of oil and gas operations?

I would appreciate your staff working with Kathy Seddon, Minority Counsel, Governmental Affairs Committee staff, 202-228-3034, to identify additional questions which should be addressed in this examination.

Sincerely yours,

Joseph I. Lieberman
Ranking Member

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